

Second Committee: General Debate

Statement by Hon'ble Mr. N.D. Tiwari, MP and Chairman, Public Accounts Committee

on October 5, 2000

Mr. Chairman,

Since my delegation is taking the floor for the first time, may I begin by congratulating you and your Bureau on your election. We are confident that, under your stewardship, our deliberations will be focused and productive. I would also like to associate my delegation with the statement made by Nigeria, on behalf of G-77.

Overview of the Global Economy

This year our debate is taking place against the backdrop of some positive indicators, when it appears that the global economy has made a turnabout and is on the path of economic recovery from the financial crisis of 1997-1998. However, despite improved prospects in the international economic environment, the growth patterns among country groups remained divergent. While almost all developed countries recorded gains in their per capita GDP in 1999, there were 37 developing countries that recorded falling per capita output pointing to the growing disparity between the rich and the poor countries. Moreover, systemic issues are yet to be addressed and we need not be complacent at all. Indeed, both the World Economic and Social Survey and the Trade & Development Report, 2000 highlight the macroeconomic imbalances, that have developed in the process of recovery, and which could pose a potential threat to favourable prospects; both specifically warn about the possibility of a supply-side shock that could disrupt economic growth throughout the world, particularly, if the oil prices of over US \$30 per barrel persist. Concerns are already being expressed, that the surge in international oil prices to levels not seen in the last decade, could cause difficulties in the durability of world economic growth in general and of the oil importing countries, in particular.

It is my delegation's view that the danger of a systemic failure arising out of the inadequacy of the world financial architecture to provide quality market intelligence and to manage crises once they erupt, continues to confront the world economy. Developing countries need to be integrated in the decision-making processes of the international financial systems so that their concerns and fears are taken into account while establishing rules and regulations for the global economic institutions.

The World Economic & Social Survey, 2000 has made a grim prediction that despite the relatively optimistic outlook for the world economy, it was unlikely that there would be, in the near future, any major dent in poverty in most developing countries. Currently, 2.8 billion people i.e. almost half of the world's 6 billion people, live on less than two dollars a day, and 1.2 billion – a fifth – live on less than a dollar a day. The average income in the richest 20 countries is 37 times the average in the poorest 20. The world, therefore, continues to have deep poverty amid plenty and distribution of global gains are extraordinarily unequal. Such a situation that provides comfortable living standards to one-third of the world's population, but condemns the remaining two-thirds to poverty and want, is unsustainable. Removing economic inequality, both between and within nations, and ensuring that development does not suffer for want of funds, are the two challenges that the world has to collectively meet in this new century. In a globalised economy, poverty eradication cannot be treated as the exclusive responsibility of individual nations and it is a shared responsibility that requires a global strategy.

Growing levels of unemployment and underemployment affecting hundreds of millions, specially youth and underprivileged, are assuming alarming proportion in many societies leading to increased violence,

instability, law and order challenges and social disturbances. The United Nations must consider this question in its future deliberations in right earnest.

Globalisation

Experience shows that market forces by themselves will not distribute the benefits from global economic integration and technological innovation equitably across nations or among different groups within countries. Globalisation and the ICT revolution have provided many countries with more opportunities to raise incomes and living standards but they are also among the factors that have led to growing inequality both domestically and internationally, with the group of poorest countries being further marginalized. The inexorable logic of globalisation appears to be premised on allowing the market forces to operate freely and reducing the function of governments solely to the creation of an enabling environment, which would attract investment, both foreign and domestic. The social and security responsibilities of the State are not susceptible to simplistic admonitions by the beneficiaries of liberalization. Nation building is a complex and uphill task and the need of the hour is to strengthen Nation States and not to weaken them. In any crisis, whether economic or political, the final guarantee of well being of all is the presence of a responsible and functioning State. However, equally important is an effective global partnership that would promote an enabling international environment in order to achieve sustainable development in developing countries.

We hope that discussions under the Agenda item “Globalisation and interdependence” the Second Committee this year, will not only provide an opportunity to articulate the differing perceptions of globalisation in order to optimize its benefits but evolve pragmatic measures whereby the inputs of General Assembly could be taken into account in the relevant specialized fora which deal substantively with macro-economic aspects of globalisation.

Financial Flows

Net capital flows to developing countries increased only marginally in 1999 and the fact is that even after years of hard-won domestic reforms, the developing countries are still dependent on highly volatile capital flows to support growth. The rapid growth of capital markets and financial liberalisation, another key pillar of globalisation, was projected as providing an irreversible solution to the resources constraint that developing countries have traditionally faced. Analyses of FDI flows indicate several lacunae, they are concentrated in a select group of countries and not always channeled to sectors which would impact most on development activities. Besides short-term capital flows are highly volatile, leading to far reaching consequences, sudden flight not only damages banking systems and policies but also results in huge human costs. Reform of the international financial architecture, both per se and to promoting coherence between the international financial, monetary and trading systems, is therefore, crucial.

Financing for development

The high-level inter-governmental Ministerial event on Financing for Development to be held in 2001 offers a forum in which to comprehensively discuss the diverse aspects of financing for development. India has been closely associated with the preparations for this conference and co-chaired the Working Group that undertook an in-depth examination of possible issues to be included in the agenda. Our co-chairmanship was a reflection of the great importance India attaches to this issue. The report of the Working Group that was submitted to the UN General Assembly last year made recommendations for an inclusive, comprehensive scope and agenda covering the diverse inter-related aspects of financing for development from external debt, private capital flows, to trade and reform of financial architecture. It has also made recommendations on characteristics of the preparatory process and the final Event. The Preparatory Committee subsequently established by the UN for the Conference on Financing for Development endorsed many of the

recommendations made by the Working Group. We will work to see that, in the Conference, issues relating to enhanced and predictable funding for development are addressed effectively and viable and durable solutions are found to the problems of financing for development.

Trade

Developing countries do not question the intrinsic potential of trade as a powerful ingredient of growth and attach importance to the various rounds of trade liberalisation that have taken place, particularly the consensus that emerged from them on the need for the establishment of a rule based, secure, predictable multilateral trading system. However, it is a matter of concern that Agreements that were painstakingly negotiated have not been implemented in the spirit in which they were envisaged, nor have the patterns of liberalisation that have emerged from the operation of the system been conducive to accelerating the development of developing countries. There is an asymmetry between the advanced state of liberalisation of trade in goods and services which are of interest to developed countries, and the barriers to trade in labour and professional services and labour-intensive goods typically produced by developing countries, particularly agriculture and textiles. We need to examine far more incisively the functioning of the international trading system and we need to do much more to strengthen the provisions for special and differential treatment for developing countries. As the mandatory negotiations on Agriculture gain momentum at the WTO, it is also important to ensure that the needs of large predominantly agrarian economies are fully taken into account.

Science & Technology

The era of globalisation, is also an era of technological globalisation. Giant strides in science and technology have conquered new frontiers of knowledge. These technologies have far reaching implications for mankind. It is increasingly apparent that they are replacing traditional and familiar avenues as the paths to economic power. Indeed, the key to economic growth and prosperity in the next millennium will clearly be based on the access to and the ability to harness scientific and technological development

We in India have recognized the crucial importance of science & technology as the critical determinant of development and long-term growth and are seeking to ensure that we remain on the fast track to knowledge-based growth. To be able to keep pace with scientific and technological globalisation, we have attempted a holistic policy seeking to overcome constraints of infrastructure. The focus of our efforts has been directed at improving the quality of science and technology, education and training at all levels. Our investment in Research & Development has increased over the last five decades from US \$2 million in the early 60s to US\$ 2000 million during the period 1996-97.

However, our efforts, as indeed those of other developing countries, are a minute fraction of our needs and requirements. It is imperative that efforts at the national level be complemented by international rules of the game that take into account needs of developing countries for access to a broad spectrum, particularly state of the art technology, in crucial areas of the social and economic sectors. With new innovations overtaking each other continuously, timely transfer and assimilation of know-how and know-why of these evolving technologies is of continuing relevance for developing countries. Equally significant are the terms of such access. It is a matter of concern that, on the one hand, the cost of technology transfer to developing countries through the Intellectual Property Rights regimes has risen sharply and access constrained while, on the one hand, bio-genetic resources are being pirated by some self-serving people with no effort to recognize similar rights and flow back of benefits to developing countries. We need to review the functioning of Intellectual Property Rights regimes to strike a more equitable balance between the need to reward innovation and the need to ensure widespread dissemination of knowledge and technology.

Environment

Environment and sustainable development are among the priority issues before us. The global partnership for sustainable development and environment launched at the Earth Summit in Rio, acknowledged that environmental problems should not be seen in isolation and that the basic developmental needs of developing countries needed to be fulfilled. It was recognized that investment, economic growth and poverty eradication, which are and must be overriding priorities for developing countries, preclude the generation of adequate resources to tackle environmental concerns. Eight years after Rio, it is clear that few steps have been taken by developed countries to honour their international commitments, to either make available to developing countries new and additional financial resources to meet the incremental costs involved or to facilitate access to the environmentally sound technologies at reasonable costs, commitments that were integral to the compact on sustainable development and environment. At Rio, it was also agreed that pressing global environmental concerns required urgent action and because of historical reasons, the principle of common but differentiated responsibility was accepted under which the industrialized world was to undertake both corrective and preventive actions. We are also disappointed that commitments by developed countries to redress the consequences of their historical industrialisation by altering unsustainable consumption and production patterns, as also by cutting back on emissions through domestic action, remain unfulfilled. On the other hand, developing countries, which made commendable progress in implementing Agenda 21, under an exceptionally difficult international environment, are being asked to undertake further obligations.

India is fully committed to its obligations under the Multilateral Environment Agreements (MEA) and looks forward to participating in the Conference of Parties Meeting of the UN Framework Convention on Climate Change in The Hague in November this year.

It is our hope that in our deliberations on this issue in the Second Committee, we will begin in earnest our preparations for the Rio + 10 process. My delegation believes that the Rio+10 process should focus on an evaluation of the implementation of the commitments made at Rio, with a view to identifying constraints that hindered progress, and there should be no effort to renegotiate commitments already undertaken.

Least developed countries, Africa and SIDS

Among the persisting areas of concern for the international community has been the plight of the Least Developed Countries, who face formidable development problems, requiring comprehensive and urgent solutions. We welcome the progress made at the First Intergovernmental Preparatory Committee for the Third UN Conference on Least Developed Countries scheduled to be held in 2001 in Brussels, and call upon the international community to demonstrate the requisite political will to address the issues confronting the Least Developed Countries.

As a country with fraternal interests in Africa, what happens in the countries on that Continent, is of abiding interest to us. We have welcomed the renewed focus on development of Africa by the international community and actively participated in the discussions within the United Nations, particularly in the Open-ended Working Group of the General Assembly, and taken bilateral initiatives to further strengthen in the true spirit of South-South solidarity, mutually beneficial links between India and them, in order to effectively contribute to our shared objective of an African Renaissance.

Another group of nations that deserve our fullest attention are the Small Island Developing States. Small populations, reliance on single commodity exports, frequent threats of ecological and natural disasters, and in general, extreme vulnerability to external shocks, require effective redressal. These should also be factored in the treatment of these countries in the context of global trade or financial negotiations.

Mr. Chairman,

If the work in the Second Committee is to be relevant, it is imperative that we focus our attention on pushing forward developmental concerns in a far more vigorous manner. It is only then that the UN will have relevance and credibility in the new Millennium.